



## **Fixed Income Investor Meeting**

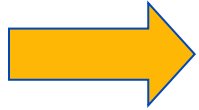
### **Equity Units, DOE Loan Guarantees, Credit Diversification**

**Amy Black**

**Assistant Treasurer**

**May 7, 2012**

## Agenda



### **Equity Units**

- DOE Loan Guarantee Program and Projects
- International Funding and Credit Diversification

# Companies use various forms of equity to support their capital structure

## Common Forms of Equity Issuance

- **Straight Common Issuance**
  - Marketed or Bought
- **Forward Sale**
- **Convertible Bond**
- **Mandatory / Equity Units**
  - Marketed or Bought
  - Retail or Institutional
- **Dribble/At-the-Market**
  - In 2009 and 2010 our ATM program raised \$400 million in equity
- **Since 2002, NextEra has issued \$3.6 billion of equity<sup>(1)</sup>**

**Equity Units have been one of the primary methods of equity issuance at NextEra**



# Equity Units and other equity related products are common capital raising tools used within the power industry

## Recent Utility Equity Transactions<sup>(1)</sup>

Pricing Date	Issuer Name	Deal Value (in \$MM)	Deal Type
4/10/2012	PPL Corp	269	Forward Trade
3/5/2012	Pepco Holding Inc	345	Forward Trade
1/27/2012	Dominion Resources	500	Dribble
11/29/2011	PG&E	400	Dribble
7/27/2011	ITC Holdings Corp	250	Dribble
4/11/2011	PPL Corp	978	Equity Unit
2/18/2011	ALLETE Inc	117	Dribble
11/10/2010	Black Hills Corp	131	Forward Trade
11/4/2010	Westar Energy Inc	217	Forward Trade
9/14/2010	NextEra Energy	402	Equity Unit
9/8/2010	NiSource Inc	400	Forward Trade
8/3/2010	Xcel Energy Inc	470	Forward Trade
6/22/2010	PPL Corp	1,150	Equity Unit
5/13/2010	Southern	346	Dribble

**Forwards, dribble programs, and equity units are all common ways to raise equity**

1) Source: Morgan Stanley, as of 4/13/2012. Excludes straight common issuances, dribble deal amounts represent originally filed size

# We utilize equity units as a method to raise equity capital to support our capital structure

## Equity Unit Structure

- **An Equity Unit is comprised of two distinct securities**
  - A 3-year forward contract where the investor is obligated to purchase shares of NextEra common equity
    - Includes a conversion premium, 20% - 25% range
  - A 5-year senior unsecured Capital Holdings debenture with a rate reset at the end of year three
- **Settlement**
  - At the end of year three, the holder is obligated to purchase shares of NextEra common stock
  - To satisfy the purchase obligation, the debenture is re-marketed to a yield sufficient to receive par. The proceeds from the re-marketing are then used to purchase the shares
  - Alternatively, the holder can bring new cash to settle the forward. Under this scenario, the holder then keeps the debenture at the reset rate until maturity

**Equity Units are an effective method of matching EPS impact to when a project asset begins generating earnings**

# Equity Units provide for a forward stock sale, but with proceeds to the issuer today, and issuer retains a portion of the stock appreciation

## Illustrative Example: Conversion of 2009 Equity Units<sup>(1)</sup>

	<u>Amount</u>
• May 2009: Issued 7 million units Stock Price: \$55.67 20% Conversion Premium / \$66.80	\$350 million
• Quarter Payment @ 8.375% Debenture: 3.60% (tax deductible) Contract Adjustment: 4.775%	\$29 million/year
• June 2012 Conversion \$55.67 or lower stock price \$65 stock price: \$66.80 or above stock price	6.3 million shares 5.4 million shares 5.2 million shares

**Investor has an obligation to purchase shares at conversion**

**We have issued equity units five times over the past 10 years, raising \$2.4 billion of common equity**

## **Summary of Equity Unit Transactions**

<b>Issue Date</b>	<b>Feb-02</b>	<b>Jun-02</b>	<b>May-09</b>	<b>Sept-10</b>	<b>May-12</b>
<b>Proceeds at Issuance</b>	<b>\$575 MM</b>	<b>\$506 MM</b>	<b>\$350MM</b>	<b>\$402MM</b>	<b>\$600MM</b>
<b>Coupon</b>	<b>8.50%</b>	<b>8.00%</b>	<b>8.375%</b>	<b>7.00%</b>	<b>5.599%</b>
<b>Conversion Premium</b>	<b>18%</b>	<b>20%</b>	<b>20%</b>	<b>25%</b>	<b>20%</b>

### **Notes of Interest:**

- **2002 equity units issued to support the growth of our combined cycle gas plant portfolio**
- **2009, 2010, and 2012 equity units issued to support our growth while maintaining balance sheet strength**
  - These transaction were issued in a competitive bid format
- **Institutional investor base has been generally fundamental / long term investors**

**Equity issuance supports our credit rating while funding our investments**

# Equity Units provide many benefits to the issuer

## Benefits of Equity Units

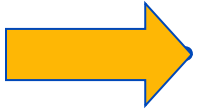
- **Accounting**
  - Product receives Treasury Stock Method of accounting, which is the least dilutive accounting treatment
  - Except for the potential of minimal dilution, shares are not recognized for EPS purposes until the forward is exercised at the end of year three
  - Forward Contract is classified as equity and therefore not subject to MTM valuation
- **Tax**
  - A portion of the coupon is tax deductible, equal to the 5-year debenture rate
- **Premium conversion allows NextEra to keep a certain percent of stock appreciation**
  - Target generally in the range of 20% - 25%
- **Security receives varying degrees of rating agency equity content without immediate dilution**

**These benefits make equity units an attractive method for issuing common equity**



## Agenda

- Equity Units
- **DOE Loan Guarantee Program and Projects**
- International Funding and Credit Diversification



# Last year we utilized the DOE loan guarantee program for two of our large solar projects

## Summary of DOE 1705 Loan Guarantee Programs

- The American Recovery and Reinvestment Act of 2009 amended the Loan Guarantee Program by adding Section 1705
  - Temporary program designed to stimulate the US economy
  - Provided for loan guarantees for certain renewable energy and electric transmission systems that commenced construction no later than September 30, 2011
- 27 projects totaling \$14.5 billion<sup>(1)</sup> approved by expiration, including two NextEra projects:
  - Genesis, 250 MW solar thermal project
  - Desert Sunlight, 550 MW solar photovoltaic (PV) project
  - Other notable renewable projects approved include:
    - Shepherds Flat, 845 MW wind project, \$1,404 million
    - Agua Caliente, 290 MW solar project, \$967 million
    - Mojave Solar, 250 MW solar project, \$1,200 million
    - California Valley Solar Ranch, 250 MW solar project, \$1,237 million

**With the 80% guaranteed portion of the debt rated AAA, the DOE loan lowers project borrowing costs**



# Our Genesis solar project was awarded a DOE loan guarantee in August 2011

## Genesis Project Overview

- 250 MW, solar thermal project comprised of two 125MW units
- PPA Offtaker/tenor: PG&E/25 yr
- Total Capital Cost: \$1.2 billion
- NextEra is the EPC
- Expected Commercial Operation Date (COD) November 2013 and April 2014
- Financed with \$852 million debt of which 80% is guaranteed by the Department of Energy
  - \$702 MM 26.5 year project note
  - \$150 MM 8 year bank loan
  - \$83 MM Letter of Credit Facility
- Debt/Equity ratio: 70/30



# Project construction schedule is on track to meet major milestones

## Summary of Construction-to-Date<sup>(1)</sup>

- **Overall Project**
  - Engineering: 65% complete
  - Procurement: 75% complete
  - Total Project Construction: 14% complete
- **Genesis Unit #1**
  - Site Preparation: 85%
  - Solar Field Foundation (Caissons): 48% complete
  - Under Ground Electrical: 30% complete
  - SCE/Pylon Installation: 1% complete
- **Genesis Unit #2**
  - Site Preparation: 100% complete



Solar Collection Assembly, Installed in the field



Solar Collection Element Installation

# The Desert Sunlight solar facility was also awarded a DOE loan guarantee in September 2011

## Desert Sunlight Project Overview

- **550 MW, solar photovoltaic (PV) project using First Solar panels**
  - 8.5 million panels covering 4,000 acres
  - PPA Offtaker/tenor:
    - PG&E on 300MW, 25 year
    - SCE on 250 MW, 20 year
- **50/50 partnership with GE**
  - Debt not consolidated on balance sheet
- **Simultaneous acquisition and financing**
- **Total Capital Cost: \$2.2 billion**
- **First Solar is the EPC**
- **Commercial Operations Date (COD) based on block completion and expect to begin by December 2013 and be fully COD by February 2015**



# Desert Sunlight was structured as a bond and bank transaction, providing construction and term financing

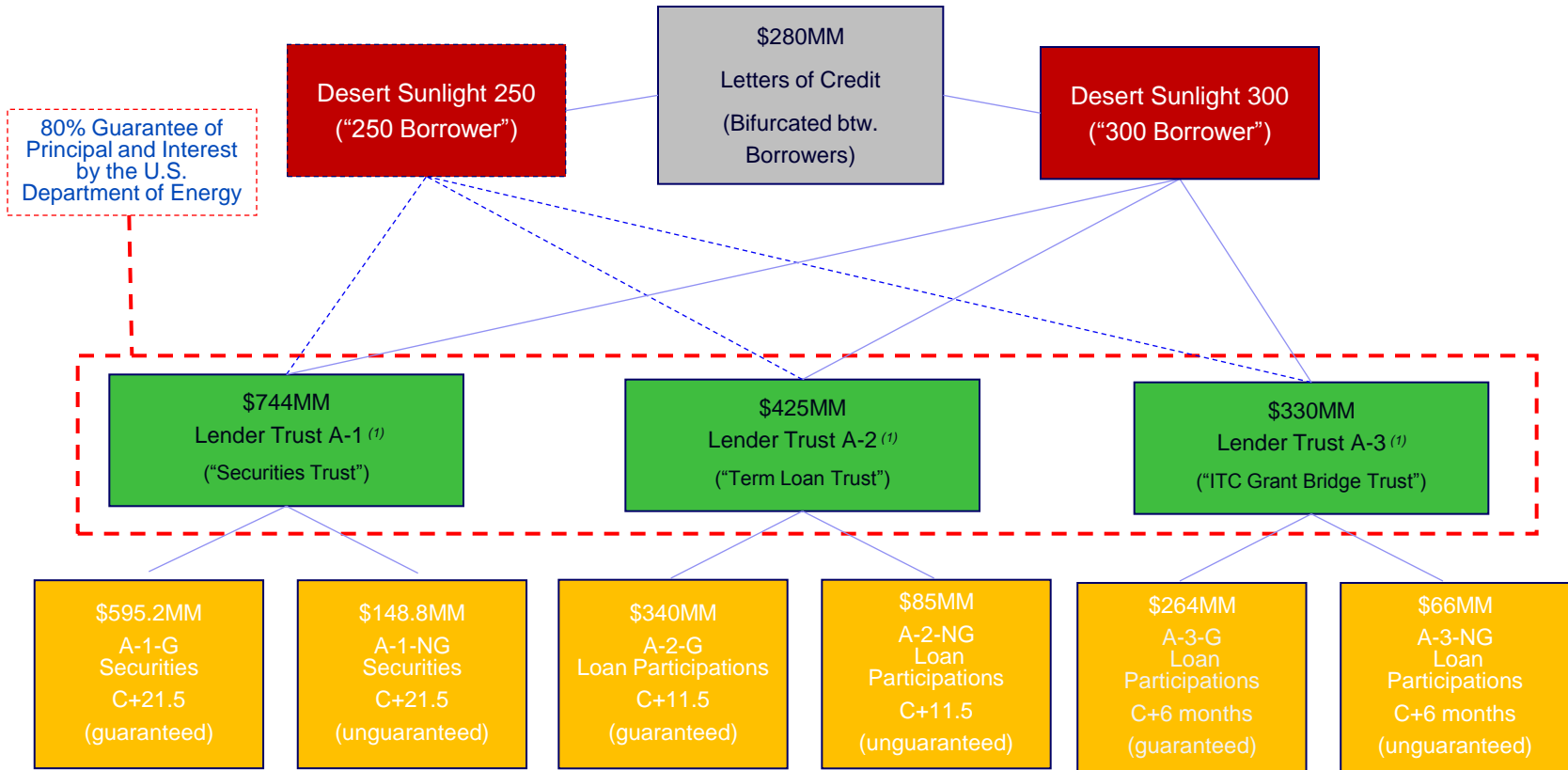
## Desert Sunlight Financing Overview

- **\$1.4 billion debt of which 80% is guaranteed by the Department of Energy**
  - \$744 million 25-year Bond with delayed draw
    - Tranche 1 \$260 million drawn at financial close
    - Tranche 2 \$186 million drawn February 1, 2012
    - Tranche 3 \$298 million to be drawn on August 1, 2012
  - \$425 million 15 year Bank Loan
  - \$292 million 3 year Convertible Investment Tax Credit (CITC) Bridge Loan
  - \$276.2 million Letter of Credit Facility
  - 6 institutional investors and 15 banks participated
- **Debt/Equity ratio: 65/35**

**Project was award 2011 North American Solar Deal of the Year by Project Finance Magazine**



# Desert Sunlight Debt Financing Structure



# The Desert Sunlight project is on schedule for meeting major milestones

## Summary of Construction-to-Date<sup>(1)</sup>

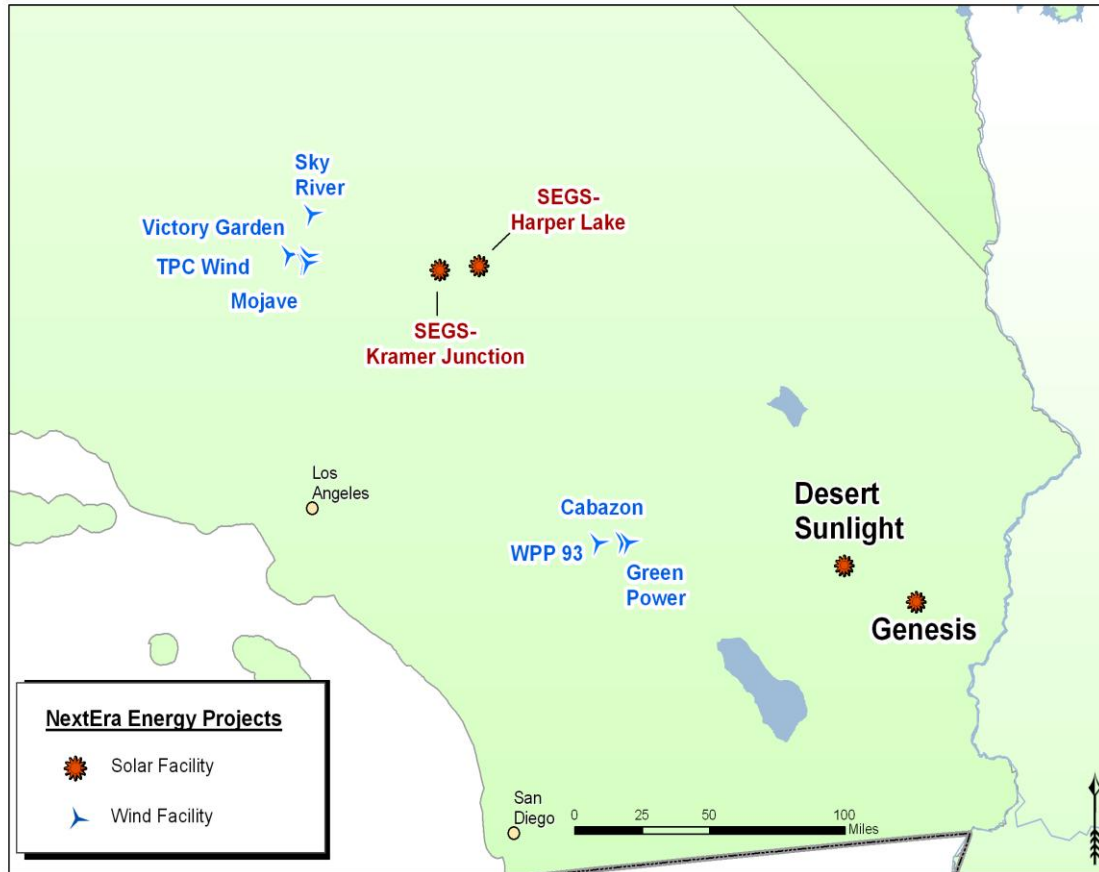
- Project consists of 20 blocks, each block ranges in size from 20-40 MW
- Construction underway in the first 2 blocks - each 40 MW
- **PGE (300 MW) – 11 Blocks**
  - Block 1: 53% complete
  - Block 2: 37% complete
- **SCE (250 MW) – 9 blocks**
- **Overall Project**
  - Engineering
    - PGE: 44% complete
    - SCE: 30% complete
  - Procurement
    - PGE: 47% complete
    - SCE: 35% complete
  - Construction
    - PGE: 11% complete
    - SCE: 0% complete



Post preparation and installation



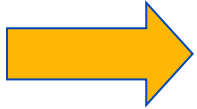
# These two solar projects are both located in Southern California, where we have other renewable operations



These projects are being built in an area of the country that is supportive of renewable power and we have experience with our existing portfolio

## Agenda

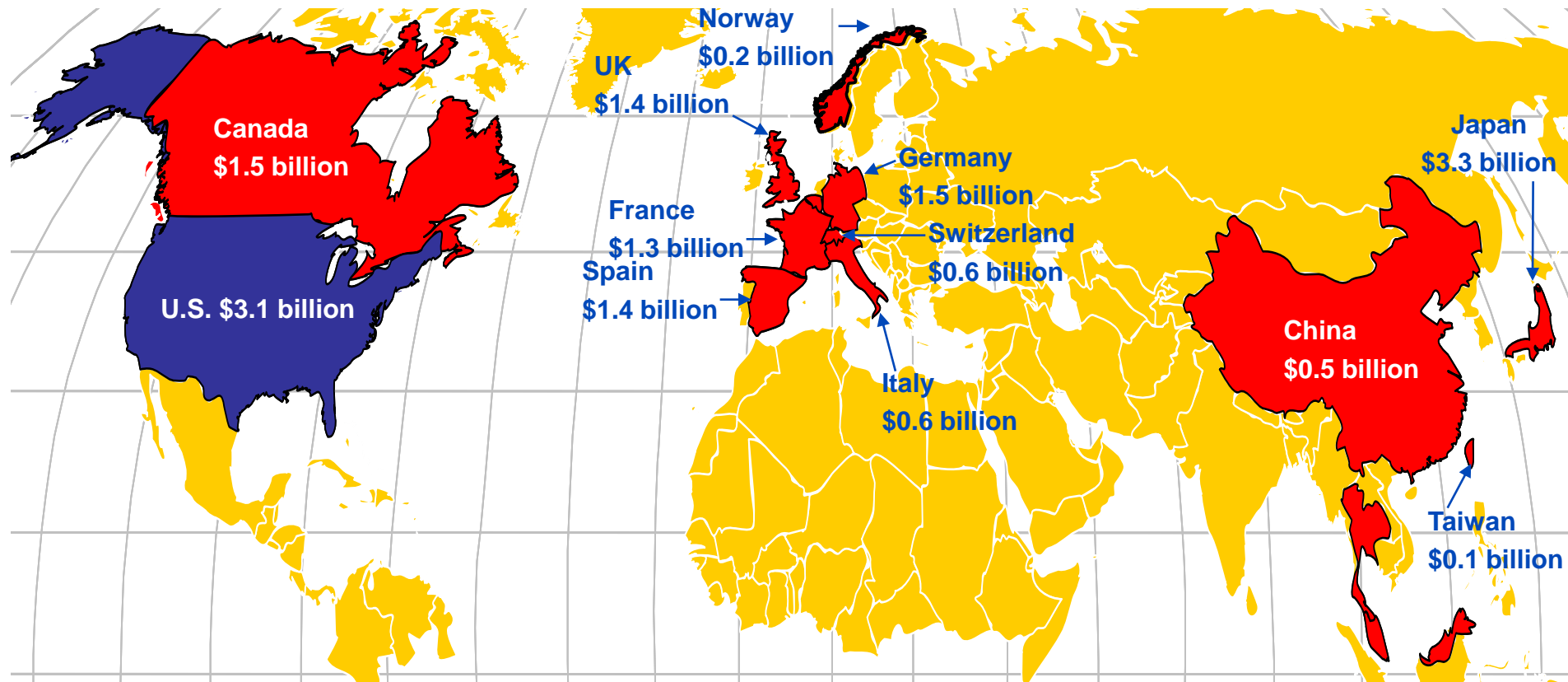
- Equity Units
- DOE Loan Guarantee Program and Projects



**International Funding and Credit Diversification**

# NextEra Energy employs global diversification of credit and funding sources

## Country Breakdown by Funding



**We have a balanced and well-diversified lending group**

1) \$15.6 billion of credit includes current corporate credit facilities, term loans outstanding as of March 22, 2012, and original balances of project debt funded by banks since 2003.

# Capital funding diversification is the key to NextEra's financial strategy

## International Funding Opportunities

- International funding diversification has been a priority for NextEra, even before the 2008 global financial crisis
- Our strong banking relationships have enabled us to pursue local lending opportunities, however we only pursue those opportunities that are competitively priced against U.S. funding options
- We continually poll our banks for updates on local markets and any arbitrage of funding opportunities
  - “Go where the money is”
- **Areas of focus include:**
  - Asia: Japan, China, South Korea
  - Europe: UK and Euro Zone
  - Latin America
  - Canada

**Our goal is to pursue pockets of global liquidity at attractive pricing**

**We have been very successful in the Asian market, both for funding and general credit requirements**

## **Asian Opportunities - Japan**

- **¥26.5 billion 3-year regional bank loan closed in December 2008**
  - 8 Japanese banks participated, swapped to US\$287 million
- **¥34 billion refinancing of 2008 regional bank loan in June 2011, 3-year term**
  - 10 Japanese banks participated, swapped to US\$424 million
  - Successful transaction in the wake of the Fukushima nuclear accident
- **¥10 billion Private Placement with large insurance company in September 2010, swapped to US \$120 million**
- **US Power Day in Tokyo sponsored by Bank of Tokyo-Mitsubishi**
  - Annual conference to educate Japanese investors and banks on the US power and utility market

# More recently, Chinese banks have taken an active role in US financing activities

## Asian Opportunities - China

- We have formed strong relationships with many of the large Chinese banks
- As the Chinese gain market share in the renewables industry, we see value in partnering with Chinese banks and manufacturers to increase our competitiveness
- Our success in forming relationships with the Chinese banks is demonstrated by the 2010 Global Credit Facilities, which were anchored by two large Chinese banks
- Chinese banks also participated in our recent refinancing of our corporate credit facility

**We have made a commitment to our global banking relationships, including visiting home offices annually**

**Based on our growing relationship with Asian banks, in 2010 we entered into new credit facilities targeting global banks**

## **2010 Global Credit Facilities**

- **\$500 million 3-year credit facility at both FPL and Capital Holdings**
- **Focused on new international relationships in an effort to expand number of banks and sources of liquidity**
  - New bank relationships that participated included
    - 4 Chinese
    - 2 Canadian
    - 8 Taiwanese
    - 2 Japan
    - 2 European
    - Malaysia and Thailand
- **Diversification of credit is extremely important**

**Combined facilities added \$1.0 billion of credit and added 20 new banking relationships**

**We receive credit, and have relationships with, many of the largest banks in the world**

## Global Bank Ranking (1)

Largest Global Banks by Total Assets					
Rank	Bank	Total Assets (\$Bn)	Rank	Bank	Total Assets (\$Bn)
1	Deutsche Bank	2,805	26	Intesa Sanpaolo	828
2	BTMU	2,799	27	RBC	812
3	HSBC	2,556	28	BBVA	775
4	BNP Paribas	2,547	29	TD Bank	770
5	ICBC	2,457	30	NAB	733
6	Barclays	2,425	31	Bank of Australia	732
7	RBS	2,337	32	CBA	720
8	JP Morgan	2,320	33	Natixis	658
9	Credit Agricole	2,234	34	Westpac	652
10	Bank of America	2,129	35	Scotia Bank	634
11	Mizuho	2,091	36	Standard Chartered Bank	599
12	China Construction Bank	1,950	37	Danske Bank	597
13	Citigroup	1,945	38	ANZ	578
14	Bank of China	1,878	39	Dexia	554
15	Agricultural Bank of China	1,816	40	Resona Holdings	554
16	SMBC	1,725	41	Bank of Montreal	536
17	Banco Santander	1,622	42	Banco do Brasil	527
18	Societe Generale	1,531	43	Fortis Bank	465
19	UBS	1,512	44	Sumitomo Trust Holdings	456
20	Lloyds	1,505	45	China Merchants Bank	444
21	Wells Fargo	1,334	46	Itau Unibanco	439
22	Unicredit	1,201	47	China Citic Bank	439
23	Credit Suisse	1,118	48	Shanghai Pudong Bank	426
24	Nordea	928	49	Shinkin Central Bank	413
25	Commerzbank	858	50	Bradesco	409
<b>Top 50 Banks</b>					<b>62,370</b>

**US banks make up a very small portion of the world's largest banks and it is imperative that we diversify our credit relationships globally**





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